



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CAMPBELL COUNTY CLERK**

Calendar Year 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.STATE.KY.US/AGENCIES/APA**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF RECEIPTS AND DISBURSEMENTS.....	3
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER.....	5
NOTES TO THE FINANCIAL STATEMENTS	7
COMMENT AND RECOMMENDATION	13
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	17



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Steven Pendery, County Judge/Executive
Honorable Jack Snodgrass, Campbell County Clerk
Members of the Campbell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the County Clerk of Campbell County, Kentucky, and the statement of receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 1998. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk is required to prepare the financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the County Clerk and the receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Steven Pendery, County Judge/Executive
Honorable Jack Snodgrass, Campbell County Clerk
Members of the Campbell County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Clerk Should Have Required Depository Institutions To Pledge Additional Securities Of \$104,546 As Collateral To Protect Deposits

In accordance with Government Auditing Standards, we have also issued a report dated October 4, 1999, on our consideration of the County Clerk's compliance with laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 4, 1999

CAMPBELL COUNTY
JACK SNODGRASS, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS

December 31, 1998

Receipts

State Fees For Services	\$	31,354
-------------------------	----	--------

Fiscal Court		125,048
--------------	--	---------

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$ 1,454,549	
Usage Tax	6,660,716	
Tangible Personal Property Tax	5,157,689	
Marriage Licenses	36,822	
Deed Transfer Tax	246,901	
Delinquent Taxes	497,143	14,053,820

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$ 36,825	
Real Estate Mortgages	94,281	
Chattel Mortgages and Financing Statements	128,592	
Powers of Attorney	4,114	
All Other Recordings	193,925	
Charges for Other Services-		
Candidate Filing Fees	3,100	
Copywork	27,984	488,821

Other:

Bail Bonds	\$ 1,407	
Other	1,618	
Postage	32,988	
Payroll Reimbursements	15,157	
Miscellaneous	41,541	51,170

Interest Earned		9,268
-----------------	--	-------

Gross Receipts (Carried Forward)	\$	14,759,481
----------------------------------	----	------------

CAMPBELL COUNTY
 JACK SNODGRASS, COUNTY CLERK
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 December 31, 1998
 (Continued)

Gross Receipts (Brought Forward)	\$ 14,759,481
----------------------------------	---------------

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 1,076,832
Usage Tax	6,460,934
Tangible Personal Property Tax	1,577,687

Licenses-

Delinquent Tax	65,656
Legal Process Tax	80,500
Candidate Filing Fees	90
	\$ 9,261,699

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 418,894
Delinquent Tax	42,600
Deed Transfer Tax	234,556
	696,050

Payments to Other Districts:

Tangible Personal Property Tax	\$ 3,008,079
Delinquent Tax	247,821
	3,255,900

Payments to Sheriff	22,432
---------------------	--------

Payments to County Attorney	88,982
-----------------------------	--------

Delinquent Taxes Transferred To 1999 Account	6,879
--	-------

Operating Disbursements:

Other Charges-

Refund of Overpayments	\$ 43,588
Other Refunds	655
Miscellaneous	23,924
	68,167

Total Disbursements	13,400,109
---------------------	------------

Net Receipts	\$ 1,359,372
--------------	--------------

Payments to State Treasurer:

75% Operating Fund	\$ 1,050,742
25% County Fund	325,441
	1,376,183

Balance Due Clerk at Completion of Audit	\$ (16,811)
--	-------------

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
 JACK SNODGRASS, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE
 COUNTY CLERK'S OPERATING FUND AND COUNTY FUND WITH THE
STATE TREASURER

December 31, 1998

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 1998	\$ 241,839	\$ 94,176	\$ 336,015
 <u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	1,050,742		1,050,742
Fees Paid to State - County Funds (25%)		325,441	325,441
	<hr/>	<hr/>	<hr/>
Total Funds Available	\$ 1,292,581	\$ 419,617	\$ 1,712,198
 <u>Disbursements</u>			
Campbell County Fiscal Court	\$ 135,433	\$ 419,617	\$ 555,050
Personnel Services-			
Official's Statutory Maximum	48,726		48,726
Official's Expense Allowance	3,600		3,600
Deputy Salaries	576,473		576,473
Employee Benefits-			
Employer's Share Social Security	52,345		52,345
Employer's Share Retirement	59,548		59,548
Employer's Paid Health Insurance	80,855		80,855
Contracted Services-			
Advertising	4,352		4,352
Printing and Binding	36,186		36,186
Materials and Supplies-			
Office Supplies	69,148		69,148
Other Charges-			
Conventions and Travel	18,060		18,060
Maintenance	10,054		10,054
Telephone and Paging	51,133		51,133
Notary	50		50
Delivery Service	6,792		6,792
Postage	19,949		19,949
Computer Equipment and Programming	72,957		72,957
Insurance Premiums	41,356		41,356

CAMPBELL COUNTY
 JACK SNODGRASS, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE
 COUNTY CLERK'S OPERATING FUND AND COUNTY FUND WITH THE STATE
 TREASURER
 December 31, 1998
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Disbursements (Continued)</u>			
Other Charges- (Continued)			
Rent	\$ 1,850	\$	\$ 1,850
Miscellaneous	3,714		3,714
Total Disbursements	\$ 1,292,581	\$ 419,617	\$ 1,712,198
Fund Balance - December 31, 1998	\$ 0	\$ 0	\$ 0

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
JACK SNODGRASS, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The Attorney General issued a letter which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CAMPBELL COUNTY
JACK SNODGRASS, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1998
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The County Clerk entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of April 6, 1998, the uncollateralized amount on deposit was \$104,546. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit.

CAMPBELL COUNTY
 JACK SNODGRASS, COUNTY CLERK
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 1998
 (Continued)

Note 3. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official at April 6, 1998.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 950,000
Uncollateralized and uninsured	<u>104,546</u>
Total	<u><u>\$ 1,054,546</u></u>

Note 4. Grant

During calendar year 1998, the County Clerk maintained an account for their Library and Archives Grant. There was a beginning balance at January 1, 1998, of \$43,878 and interest received for the year was \$638, and there were no expenditures for the year. The account balance as of December 31, 1998, was \$44,516.

THIS PAGE LEFT BLANK INTENTIONALLY

COMMENT AND RECOMMENDATION

CAMPBELL COUNTY
JACK SNODGRASS, COUNTY CLERK
COMMENT AND RECOMMENDATION

December 31, 1998

STATE LAWS AND REGULATIONS:

The County Clerk Should Have Required Depository Institutions To Pledge Additional Securities
Of \$ 104,546 As Collateral To Protect Deposits

The County Clerk's deposits were not adequately secured by \$104,546 as of April 6, 1998. Under provisions of KRS 66.480(1)(d) and KRS 41.240(4), banks are required to provide pledges of securities as collateral for interest-bearing and noninterest-bearing deposits if either exceeds the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation. We recommend that the County Clerk require depository institutions to pledge sufficient securities as collateral to protect deposits at all times.

Management's Response:

Because the 1997 audit was not completed until July, the problem from 1997 was not brought out and no change was made for 1998. It is now in compliance.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Steven Pendery, County Judge/Executive
Honorable Jack Snodgrass, Campbell County Clerk
Members of the Campbell County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the Campbell County Clerk as of December 31, 1998, and have issued our report thereon dated October 4, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Campbell County Clerk's financial statements as of December 31, 1998, are free of material misstatement, we performed tests of compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Campbell County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Steven Pendery, County Judge/Executive
Honorable Jack Snodgrass, Campbell County Clerk
Members of the Campbell County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 4, 1999

